

CITY OF LOS ANGELES
CALIFORNIA

JUNE LAGMAY
City Clerk

HOLLY L. WOLCOTT
Executive Officer

When making inquiries relative to
this matter, please refer to the
Council File No.



ANTONIO R. VILLARAIGOSA
MAYOR

Office of the
CITY CLERK

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SHANNON HOPPE
Council and Public Services
Division

www.cityclerk.lacity.org

June 11, 2013

To All Interested Parties:

City Attorney (w/blue sheet)

The City Council adopted the action(s), as attached, under Council
File No. 13-0455, at its meeting held June 7, 2013.

A handwritten signature in cursive script, appearing to read 'June Lagmay', is written in black ink.

City Clerk
OS

OFFICE RECEIVED
Mayor's Time Stamp
2013 JUN -7 PM 2: 26
CITY OF LOS ANGELES

RECEIVED
City Clerk's Time Stamp
CITY CLERK'S OFFICE
2013 JUN -7 PM 2: 24
CITY CLERK
BY _____
DEPUTY

FORTHWITH

SUBJECT TO THE MAYOR'S APPROVAL

COUNCIL FILE NO. 13-0455

COUNCIL DISTRICT _____

COUNCIL APPROVAL DATE June 7, 2013

RE: PROPOSED FINANCIAL POLICY FOR THE BUDGET STABILIZATION FUND

LAST DAY FOR MAYOR TO ACT JUN 17 2013
(10 Day Charter requirement as per Charter Section 341)

DO NOT WRITE BELOW THIS LINE - FOR MAYOR USE ONLY

APPROVED



*DISAPPROVED

*Transmit objections in writing
pursuant to Charter Section 341

DATE OF MAYOR APPROVAL OR DISAPPROVAL JUN 10 2013



MAYOR

BY _____
DEPUTY

CITY CLERK

RECEIVED
CITY CLERK'S OFFICE
2013 JUN 10 PM 4: 27

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your BUDGET AND FINANCE COMMITTEE

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to the proposed Financial Policy for the Budget Stabilization Fund.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. ADOPT the revised Proposed Financial Policy for the Budget Stabilization Fund (BSF) for the City of Los Angeles, as detailed in the joint report on file from the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) dated June 3, 2013, effective upon Mayor and Council action.
2. REQUEST the City Attorney, with the assistance of the CAO and CLA, to prepare and present an ordinance to codify the revised Proposed Financial Policy for the BSF, as well as other related ordinances necessary to fully implement this Policy.
3. REQUEST the City Attorney, with the assistance of the CAO and CLA, to include in the draft ordinance language to address the following issues:
 - a. Identify an appropriate schedule for review and recalculation of the 3.4 percent threshold that governs deposits to, and withdrawals from the BSF, possibly every 5 years.
 - b. Instruct that the 3.4 percent deposit/withdrawal threshold be recalculated whenever a significant policy or rate change is made to any of the seven general fund tax revenue sources (property tax, utility users' tax, business tax, sales tax, transient occupancy tax, documentary transfer tax, parking users' tax).
 - c. Identify an appropriate scale or range of values surrounding the 3.4 percent threshold within which the rules for deposits to, and withdrawals from the BSF would be triggered.
 - d. Further refine and define the language that allows for the suspension of the BSF funding policy when the Council and Mayor make a finding that doing so would be "in the best interest of the City," and/or include in the revised definition a requirement that such a finding must be approved by a super majority vote of the Council.
 - e. Prohibit mid-year borrowing from the BSF for budget shortfalls.

Fiscal Impact Statement: The CAO and CLA report that adoption of all of the above recommendations will complete the implementation of Charter Amendment P which codified the establishment of the Contingency Reserve Account and Emergency Account within the Reserve Fund, and also established the BSF in the City Treasury. If adopted, the recommendations would potentially increase the City's Reserve Fund and BSF above their current amounts. The

amount would be determined by subsequent Council and Mayor actions on the budget as well as the performance of the City's economically sensitive revenues. Adoption of these recommendations would also assist in addressing revenue shortfalls in times of economic distress similar to those projected by the CAO in the Four-Year Budget Outlook.

Community Impact Statement: None submitted.

SUMMARY

At its meeting of June 3, 2013, the Budget and Finance Committee considered the joint CAO and CLA reports dated April 15, 2013 and June 3, 2013 relative to the proposed Financial Policy for the BSF and technical corrections to the proposed Policy. The CAO and CLA jointly report that at the height of the Great Recession, the City of Los Angeles experienced a loss of \$250 million in General Fund revenue; going from an adopted budget amount in 2008-09 of \$4.55 billion to actual receipts of \$4.30 billion in 2010-11. Without alternative revenue sources to rely on, the City managed this six percent loss in revenue through expenditure cuts, and ultimately, the reduction of services and reliance on the Reserve Fund.

Today, the City continues to endure major fiscal stress, challenging the City's ability to provide even the most basic municipal services. The CAO and CLA state that it is apparent that recovering from the financial distress the City has endured cannot occur until the stabilization of the budget is achieved. Toward this end, as part of the 2009-10 budget process, the Mayor and Council established a BSF to reduce the impact on services when economic conditions turn for the worse. Presented in the joint report is a recommended Financial Policy for the BSF, that defines the following elements essential to its successful administration and maintenance: 1) The purpose of establishing the BSF, 2) The legal basis of the BSF and its relationship to the Reserve Fund, 3) Deposit rules to establish the amount of annual deposits to the BSF, and 4) Withdrawal rules to establish the criteria for when withdraws can be made from the BSF, the size of these withdraws, and priority uses of the BSF. The technical correction joint report dated June 3, 2013 includes a correction and update to the Deposit Rule and simulation and the Withdrawal simulation; and includes the revised proposed Financial Policy for the BSF.

During discussion of this matter, CAO and CLA representatives presented an overview of the revised proposed Policy and responded to related questions from Committee members. After further consideration and discussion, the Committee recommended to approve the revised Proposed Financial Policy for the BSF and the additional instructions reflected in the above Committee recommendations. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE



ADOPTED

JUN 07 2013

LOS ANGELES CITY COUNCIL

-Not Official Until Council Acts- TO THE MAYOR FORTHWITH

<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN:	YES
ENGLANDER:	YES
ROSENDAHL:	ABSENT
KORETZ:	YES
LABONGE:	ABSENT

ep
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MAYOR WITH FILE